



Minnesota Management and Budget Statewide Operating Procedure

Minnesota Management and Budget, General Accounting
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Returned Items Processing

Objective

To ensure adequate controls and related activities are established in both policy and practice to effectively and efficiently reduce state accounts for returned items, penalties and interest are assessed for returned items, and returned items are processed and accounted for in accordance with Generally Accepted Accounting Principles (GAAP), Minnesota Statutes and other state and federal laws and reporting requirements.

General Procedures

Step	Action	Responsible Party	Timeline
1.	State bank account returned items, generally returned check(s), are to be sent to the Minnesota Management and Budget (MMB) State Treasury Division. If returned items occur at a non-state bank, return items/check(s) are to be returned to the agency which made the deposit. If state bank account returned items are returned to the MMB State Treasury Division follow steps 2 – 6 below. If non-state bank account returned items are returned to the agency, follow steps 8 - 9 below.	Depository Bank	Within 5 business days or receipt
2.	MMB General Accounting creates a negative deposit in the amount of returned item/check(s) to the Not Sufficient Funds (NSF) Clearing Account in state's accounting system, Statewide Accounting and Financial Tools (SWIFT) and emails the agency details of the deposit including Deposit ID, Entered Date, and an electronic copy of returned item/check(s).	MMB General Accounting	As received
3.	Agency identifies if deposit was a direct journal or an accounts receivable item and takes appropriate action for recovery of funds.	Agency	Within 5 business days of receipt

Step	Action	Responsible Party	Timeline
4.	<p>If a direct journal, the agency creates a zero dollar deposit in SWIFT by crediting the amount of the returned item/check to the NSF Clearing Account and debiting the original revenue accounting string.</p> <p><i>See Accounts Receivable Advanced Training Manual [AR-B13] for step by step instructions.</i></p>	Agency	Within 5 business days of receipt
5.	<p>If an accounts receivable item, the agency creates a NSF entry in SWIFT for an AR Item by using the following processes:</p> <ul style="list-style-type: none"> • Unposting an Item • Creating a Payment Worksheet • Creating a Maintenance Worksheet • Running AR Update <p><i>See Accounts Receivable Advanced Training Manual [AR-B13] for step by step instructions.</i></p>	Agency	Within 5 business days of receipt
6.	Once agency enters transactions, the agency notifies MMB General Accounting Unit of the deposit details including Deposit ID and Entered Date of the SWIFT deposit.	Agency	As entered
7.	Agency takes appropriate action for recovery of funds in accordance with Statewide Operating Policy 0504-01 – Debt Collection Process and Actions and Statewide Operating Procedure 0504-01.01 - Debt Collection Process and Actions.	Agency	Within 5 business days of receipt
8.	<p>For a non-state bank account, agency creates a negative deposit in the amount of the returned item/check(s) and debits the original revenue accounting string.</p> <p><i>See AR3 Addendum Non Treasury NSF for Direct Journals for step by step instructions.</i></p>	Agency	Within 5 business days of receipt
9.	Agency takes appropriate action for recovery of funds in accordance with Statewide Operating Policy 0504-01 – Debt Collection Process and Actions and Statewide Operating Procedure 0504-01.01 - Debt Collection Process and Actions.	Agency	Within 5 business days of receipt

Related Policies and Procedures

[MMB Statewide Operating Policy 0605-01 Returned Items](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0605-01-returned-items-policy.pdf) (http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-6/0605-01-returned-items-policy.pdf)

[Statewide Operating Policy 0504-01 Debt Collection Process and Actions](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0504-01-debt-collection-policy.pdf) (http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0504-01-debt-collection-policy.pdf)

[Statewide Operating Procedure 0504-01.1 Debt Collection Process and Actions](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0504-01-01-debt-collection-procedure.pdf) (http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0504-01-01-debt-collection-procedure.pdf)

See also

Accounts Receivable Advanced Training Manual (AR-BI3) and AR3 Addendum Non Treasury NSF for Direct Journals will be located on the [SWIFT Training Support Materials page](http://mn.gov/mmb/accounting/swift/training-support/support-resources/courses/index.jsp) (http://mn.gov/mmb/accounting/swift/training-support/support-resources/courses/index.jsp)